

2011-126 AUDIT SCOPE AND OBJECTIVES—Nonprofit Hospitals

The audit by the Bureau of State Audits (bureau) will provide independently developed and verified information related to the public benefits provided by nonprofit hospitals and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. For a sample of three to five nonprofit hospitals, review and assess how each hospital calculates uncompensated care for the purpose of demonstrating public benefit, and include the following:
 - a. The percentage of uncompensated care that is attributable to each method of estimated costs (e.g., charity care, bad debt, and contractual adjustment for the county indigent program) and how the value calculated from each method is determined.
 - b. The criteria for determining bad debt, including whether a hospital must demonstrate a reasonable effort to collect a debt, and whether hospitals consider a patient's income when determining bad debt.
3. To the extent possible, examine whether the purchases of nonprofit hospitals and the consolidations of community health facilities has resulted in reduced access to health care services or affected the pricing of those services. This examination should determine:
 - a. Whether the purchase or consolidation resulted in the closure of emergency rooms and/or a reduction in access to emergency room care within communities.
 - b. Whether the purchase or consolidation resulted in the discontinuation of specific services and/or a reduction in access to specific services within communities.
 - c. Whether the purchase or consolidation resulted in a net reduction in the amount of uncompensated care provided within a community.
 - d. How the purchase or consolidation affected the pricing of health care services in impacted communities.
4. Determine whether nonprofit hospitals with multiple facilities provide charity care and other public benefits in all communities in which they reside, and whether the care and benefits are provided in a manner that is consistent across communities and warrants their nonprofit status.
5. Review and assess the degree of transparency of the public benefit activities provided by nonprofit hospitals.

6. Review any other issues that are significant to the assessment of the public benefits provided by nonprofit hospitals, including following up on the status of significant recommendations from the bureau's 2007 report.